

# Guo Shuqing: Putting People's Interests First and Supporting High-Quality Development



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Keynote speech at the Financial Street Forum 2021

Mr. Guo Shuqing

Secretary of CPC PBC Committee, Chairman of CBIRC

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Mr. Cai Qi,

Mr. Chen Jining,

Colleagues and friends,

Ladies and gentlemen,

It is a great pleasure for me to attend the Financial Street Forum 2021. In Beijing, the efforts to build the “four centers” have been accelerating, and the ability to deliver “four kinds of services” has been improving. Beijing has enhanced its role as the national financial management center. Greatly inspired by such developments, my colleagues in the financial sector all express their willingness to support Beijing’s reform and opening-up as always.

Since the 19th National Congress of the Communist Party of China, the financial sector has, under the firm leadership of the CPC Central Committee with Comrade Xi Jinping at the core, made new remarkable achievements in serving the real economy and

supporting the development of urban areas. The financial sector shoulders a key role in fostering a new development pattern and supporting high-quality development. Here, I would like to share my opinions on four aspects.

### **I. The living environment in both urban and rural areas needs to be improved.**

The speed of China's modernization is impressive to the rest of the world. This year, however, several cities and villages were severely hit by waterlogging due to heavy rains. Water burst into the subway cars and tunnels; power outages occurred at hospitals where operations were being performed; high-end riverside homes could only be accessed by boat; people's cell phones lost signals, and mobile payment probably didn't work. Such emergencies have exposed some fatal shortcomings facing public utilities, such as urban flood control and drainage, telecommunication, health care, etc. Urban and rural development is not only the mandate of the planning and construction authorities, but also the responsibility of the society, including the financial sector, as a whole.

First, high-quality development is about refining the details. Back in 2005 when I started my work at the Construction Bank of China, I had the honor to be a member of the Capital Planning and Construction Committee. I brought up the topic of sidewalks at the committee meeting, because at that time sidewalks in many cities were being renovated and refurbished frequently, and they might even be rebuilt for three times within five years in some places. Even today, such things seem to remain unchanged. I didn't understand why at that time, but now I've realized that it is not an easy job. Sidewalks need to be strong, neat and good-looking; meanwhile they need to be safe, ecologically and environmentally friendly, and well designed for the ease of drainage, seepage and cleaning; sharp edges and hard corners need to be avoided so that they will not be damaged easily or cause bodily injuries. The sidewalks in old European cities are seemingly paved from small stone bricks, but in fact, those are tapered stone columns pounded into the ground. The foundation is laid deep into the ground and has strong

load-bearing capacity. That's why their sidewalks seldom deform or crack, and jagged cracks are rarely seen. We used to joke that the extent to which road curbs remain intact is a function curve for a country's level of development.

Building a livable city is not just about building good roads and sidewalks. In addition to urban infrastructure, we should also be aware that for the high-rise buildings constructed in the past decades, the life cycle stage of repair and renovation is approaching successively. Especially those with glass curtain walls are a big concern once the glass walls crack or break as a result of aging. To get such things addressed properly, we need to draw on foreign experience, but more importantly, we should make use of the techniques and practices passed down from our ancestors. As far as flood control and drainage are concerned, the Forbidden City is a very good example. The drainage system there is so well-designed that waterlogging never happened no matter how heavy the rain is.

So many issues need to be addressed in cities, let alone rural areas. Due to the lack of stringent standards and professional oversight, self-built houses in rural areas sometimes collapse. The "toilet revolution" has a bearing on the fundamental improvement of rural living environment. It is reported that the penetration rate of rural sanitary toilets reached 68% in 2020, but the quality varies. In addition, many localities are facing difficulties if the facilities for refuse collection and transportation, sewage treatment, etc. are to operate normally.

Urban and rural development and management is a comprehensive and strategic task, and covers both physical and mental aspects. To put people's interest in the center should always be kept as the core principle. We need to examine the patterns of population movement as well as the underlying industrial restructuring and changes in urban and rural planning. In both urban and rural areas, there are already-completed buildings and residential complexes that have remained vacant or even abandoned for long periods of time. We should never be obsessed with big and wide-ranging "white-

elephant” projects. Financial institutions should endeavor to study how they can help promote the construction of livable cities and beautiful countryside.

As people have a growing need for a better life, the construction industry enjoys a broad prospect. At present, urban ecological restoration and renovation of old urban residential complexes have been included in urban renewal action plans. It can be expected that in the coming decades, the construction industry will remain a mainstay industry, and the ecological and environmental protection industry closely related to it is expected to emerge as a pillar industry as well. Along with technological advancements, these industries will certainly continue to transform towards refined and green development. As to the financial services for “agriculture, rural areas and farmers”, there will be a tremendous change in the scope to include offering financial services for “new urban residents” migrating from rural areas to live and work in the cities and supporting urban residents to engage in modern agriculture and related industries in rural areas.

## **II. Insurance coverage shall be enhanced.**

The insurers compensated 11% of the losses caused by the torrential rain and flood in Henan this year, a noticeable improvement from 7.8% in response to the flood in the Yangtze River basin in 2020, but there is still much room for improvement compared with developed countries. Although China ranks second in the world in terms of insurance premiums, but the insurance density and penetration need to increase, and insurance products need to be more relevant and diversified. In China, catastrophe insurance mainly covers earthquake, so there is an urgent need for typhoon, flood and drought to be covered.

As risk managers, insurance companies should enhance their professional expertise in the areas of early warning, ongoing management and ex-post response. Take shipping insurance as an example. In order to handle marine risks, some international insurers have long been engaged in climate and hydrology researches. They have also deployed

dynamic simulation, early-warning, risk-identification and blocking technologies. That's how they become important players in marine disaster prevention and control. Some insurers offering medical and health coverage have also made long-term efforts to study major illnesses, pathogenic mechanisms, drugs, vaccines, complications and care, which allows them to gradually become leaders and pioneers in their respective fields.

As for the participation of the insurance industry in disaster risk management, I would like to put forward several recommendations. First, we should change the mindset that the responsibility for disaster management and relief should be solely shouldered by the government. Instead insurance should also be incorporated into the national system for disaster relief and emergency management, and insurers should play a bigger part in pre-disaster prevention, fund raising, post-disaster compensation, and recovery and reconstruction. Second, insurers should adjust their corporate strategy and look beyond current focus on products and premium rates. They should "take three steps forward" or even "take five steps forward". They can collaborate more with agriculture, geology, meteorology, hydrology and emergency departments, and work with or fund professional institutions to study the disaster mechanism and disaster prevention. Third, efforts should be made to develop multi-level channels for risk diversification, increase the supply of reinsurance, and enhance the capacity of risk transfer and diversification.

### **III. More support needs to be provided for advancing the education system.**

As Warren Buffett said, the best investment you can make is in yourself. No matter from the perspective of a country, a family or an individual, investment in education is the most valuable. China attaches great importance to education, and the expenditures of the state, society, enterprises and households on education are enormous. Surveys show that the annual expenditures of all households on preschool and primary education exceeded RMB1.9 trillion. Some urban households' education expenditure even accounted for over 20% of their total spending. How to improve the effectiveness

of educational investment and strike a balance between economic and social benefits is an issue of common concern for the society at large.

Equity in education is the greatest equity of all. To ensure every child has access to good-quality education, the financial sector should take into consideration the following aspects.

First, we should support rural education. According to the *2019 Rural Education Development Report*, 77% of students receiving compulsory education in China went to urban and township schools. The students enrolled in rural schools are small in number, but they include the majority of the children from the lowest-income groups who are the target of our efforts to block intergenerational transmission of poverty. The financial sector should actively fulfill its social responsibility by leveraging funding and technology strengths to support the digitization of rural education.

Second, we should serve the “new urban residents”. International experiences show that the correlation coefficient between education and urbanization is around 0.7, which I suppose should be higher in China. Many people buy homes in urban areas mainly because they want their children to receive better education. The high rates of student turnover in rural schools form a sharp contrast with the “large class sizes” in urban schools. In China, each 1-percentage-point increase in urbanization rate means 14 million rural residents moving to urban areas, one sixth of whom are school age children. President Xi Jinping has repeatedly stressed that the urbanization process should be people-centered. Accordingly, it is highly important that efforts be made to ensure that school-age children of migrant workers receive good-quality education.

Third, we should support vocational education. According to surveys by the Ministry of Industry and Information Technology and the Ministry of Education, there will be a shortage of nearly 30 million skilled workers by 2025 in 10 major fields of manufacturing. Vocational education is indispensable to the development of high-quality skilled workers. Financial institutions can play an active role in this area.

Fourth, we should provide services to support the “double reduction” policy. While aiming to ease academic burden on children, the policy is also intended to improve students’ overall competence in terms of sports, aesthetics and capacity to live independently, as well as moral and intellectual developments, which calls for joint efforts between schools, families and communities. Financial institutions should pay attention to the key areas and weak links of education, and provide targeted services to relevant firms, institutions, organizations and individuals with a view to supporting high-quality development of education.

#### **IV. We should capture the actual needs of infrastructural development and operation through scientific research.**

Recently, some cities experienced power cuts, which revealed the conflicts concerning the construction and operation of infrastructure, energy conservation and emission reduction. As a country with global influence and competitive strengths in infrastructural development, China ranks among the top in the world in terms of installed power generation capacity, mileage of high-speed railways in operation and the capacity of water conservancy facilities. However, our infrastructural facilities are not well adapted to the needs of new industrialization, informatization, urbanization and agricultural modernization, so continuing efforts must be made to address the issue of imbalance and inadequacy in the process of development.

In the course of infrastructural development, we should strive to achieve sustainability in three aspects. First, ecological and environmental sustainability. The construction and operation of energy, transportation, communications and water conservancy infrastructure requires intensive resources and is also one of the main sources of environmental pollution. We need to steadily make the infrastructural facilities greener and more intelligent with a view to reducing the use of land, shoreline, corridors and other resources. Second, economic and social sustainability. Infrastructural development plans should be fully and scientifically justified in light of the actual

distribution of population, industries and urban areas. Third, financial sustainability. We should refrain ourselves from being obsessed with scale and copying foreign examples, while overlooking what we actually need. The operation and maintenance costs should be taken into consideration in a holistic manner and adequate depreciation costs should also be set aside. What should also be taken into account include the costs of labor, materials and other intermediate inputs necessary for operation and maintenance, and the replacement cost after an infrastructural facility reaches the end of its life cycle. In particular, attention should be paid to the problem of expressways and high-speed railways lying idle or even becoming abandoned due to lack of use.

In 2020, coal accounted for 56.8% of China's energy mix. Peaking carbon emissions by 2030 implies that China will see rigid growth of fossil fuel consumption in the years to come. Practically, we need to promote the realization of the carbon peaking and neutrality goals. First, we should treat emission reduction correctly. Efforts should be made to improve energy efficiency and steadily reduce energy consumption per unit of GDP. Reducing air pollution for blue skies should be prioritized, and based on that we should reduce carbon emission relatively. Second, we should follow closely breakthroughs and developments in environmental science and technology across the world, make active efforts to explore low-carbon and even zero-carbon energy sources, and study on and utilize carbon capture and storage technologies. Meanwhile, we should not blindly follow the trends and ignore the actual circumstances. Third, we should ensure smooth transition and avoid "one-size-fits-all" or "campaign-style" carbon reduction efforts.

To conclude, I wish the forum a complete success.

May the Beijing Winter Olympics achieve greater glory.

Thank you.

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